

Message Text

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PAGE 01 ZAGREB 00138 180713Z
ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
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PASS EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, BTIO, YO
SUBJECT: FINANCING FOR DOW-INA PROJECT

REF: (A) 77 ZAGREB 697, (B) ZAGREB A-6, FEB. 11, 1977

1. EFFORTS HAVE BEGUN THIS WEEK TO LINE UP FINANCING FOR THE DOLS 750 MILLION DOW-INA (DINA) PETROCHEMICAL COMPLEX TO BE CONSTRUCTED AT KRK. A TEAM OF FINANCIAL OFFICIALS FROM PRIVREDNA BANKA, INA AND DOW-EUROPE HAS BEEN IN ENGLAND DISCUSSING FINANCING WITH U.S. AND BRITISH BANKS. TALKS ARE SCHEDULED WITH FRENCH AND WEST GERMAN BANKS NEXT WEEK. CONGEN HAS FORWARDED TO WASHINGTON AGENCIES (EXIMBANK-ALBRIGHT; STATE-EUR/EE; AND COMMERCE-MAJOR EXPORT PRODUCTS) A COPY OF PROPOSED FINANCING PLAN WHICH PRIVREDNA BANK HAS SENT TO BANKERS WITH WHOM DISCUSSIONS ARE BEING CONDUCTED.

2. FINANCING PLAN CALLS FOR SIGNIFICANT RELIANCE ON EXPORT FINANCING PROVIDED OR GUARANTEED BY OFFICIAL EXPORT FINANCING AGENCIES. NOTES THAT CREDITS WILL BE SOUGHT FOR PURCHASES
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PAGE 02 ZAGREB 00138 180713Z

WHICH COULD BE MADE IN SIX COUNTRIES INCLUDING UK, FRANCE, FRG, NETHERLANDS, U.S. AND JAPAN.

3. THIS MOVEMENT ON FINANCING OF DINA PROJECT RAISES ISSUE OF POSSIBLE EXIMBANK SUPPORT FOR THIS U.S.-YUGOSLAV PROJECT WHICH IS ALSO THE LARGEST JOINT VENTURE IN YUGOSLAVIA WITH ANY FOREIGN PARTNER. PROJECT COULD REPRESENT SUBSTANTIAL SALES FOR

U.S. SUPPLIERS OF GOODS AND SERVICES. IMPORTS OF EQUIPMENT AND SERVICES WILL AMOUNT TO AT LEAST DOLS 210 MILLION. ONE BANKER EXPRESSED THE VIEW THAT 20-30 PERCENT OF THIS IMPORTED CONTENT COULD COME FROM U.S. SUPPLIERS IF PRICE AND FINANCING CONSIDERATIONS WERE SUITABLE.

4. COMPETITION ON THIS PROJECT WILL BE FIERCE. FRENCH AND BRITISH SUPPLIERS WERE SUCCESSFUL THIS PAST YEAR IN OBTAINING LARGE CONTRACTS ON THE FERTILIZER COMPLEX UNDERWAY AT KUTINA AND WILL BE HOPING TO OBTAIN FURTHER BUSINESS ON THIS PROJECT. GERMAN FIRMS HAVE ALSO BEEN ACTIVE IN THIS AREA AND JAPANESE SUPPLIERS ARE BECOMING INCREASINGLY ACTIVE. DOW'S U.S. BASE DOES NOT RPT NOT APPEAR TO GIVE U.S. SUPPLIERS ANY SPECIAL ADVANTAGE IN THIS PROJECT. WE NOTE THAT CURRENT, SMALLER OKI-DOKI JOINT VENTURE NEARING START-UP IN ZAGREB HAS MINIMAL U.S. CONTENT IN IMPORTED EQUIPMENT.

5. WE WILL REPORT ADDITIONAL DETAILS ON THIS PROJECT AS DEVELOPMENT CONTINUES TO ASSIST EXIMBANK (ASSUMING RESOLUTION OF SUPERGUARANTEE ISSUE OCCURS) TO MAKE MOST EFFECTIVE USE OF ITS RESOURCES IN SUPPORTING U.S. FIRMS ON THIS SIGNIFICANT PROJECT. KAISER

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